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ABSTRACT

An overview of an ongoing study of state policies and private postsecondary education is presented. It is suggested that higher education should be viewed in the context of a state's practices in other human service policy areas (e.g., social and health services). Three types of state policy postures are emphasized: laissez-faire, market competitive, and direct regulatory. Four areas of state policy that are centrally important to private colleges are also covered: access/choice, direct institutional aid, planning and program review, and information policies. Policy areas and postures are illustrated by the cases of California and Indiana, which were studied in detail. The case of New York State is used to illustrate the adaptation to changing demands for degree programs and the competition between public and private colleges for public funds. Also considered are statistical evidence of relationships between state aid programs and indicators of access, choice, and private sector health. The objective is to compare changes in enrollment patterns and indicators of private sector fiscal health across time periods and across states representing different levels of policy commitment to the private sector and its students. (SW)

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State Policy and Private Higher Education:

A Preliminary Research Report

by

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and

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Paper to be presented at the annual meeting of
The Association for the Study of Higher Education
Chicago, March 16, 1985

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State Policy and Private Higher Education:
A Preliminary Research Report

William Zumeta and Carol Mock

This paper is an overview and preliminary report on aspects of a 2-1/2 year study of state policies and independent postsecondary education financed by the National Institute of Education (contract # 400-83-0054 Astin 9/85). The study period ends in March 1986.

The contractor is the Higher Education Research Institute at the University of California, Los Angeles. In addition to the present authors, project senior staff include Alexander W. Astin, Kenneth C. Green, and Wellford W. Wilms, some of whose work is discussed herein. The authors are grateful to them for their contributions and to the National Institute of Education for its support. Of course, the contents of this paper are the responsibility of the authors alone.

State Policy and Private Higher Education:

A Preliminary Research Report

William Zumeta and Carol Mock

I. Introduction

Purpose and Structure of the Paper

This paper provides an overview of a several-year, national study of state policy and independent postsecondary education.

We begin by explaining the basic conceptual framework that guides the research. A cornerstone of this conceptual framework is the idea that, as a starting point, a state's array of policies toward postsecondary education, including the independent sector, can be usefully characterized on a continuum according to the degree of state intervention in the allocation of institutional roles and resources. We emphasize three "nodes" on this continuum of state policy postures--laissez-faire, market competitive, and direct regulatory postures. Our investigation focuses on four areas of state policy that are of central concern to the independent sector--access/choice policies, direct institutional assistance, planning and program review, and information policies.

After explaining the conceptual framework and considering its utility, we will present some preliminary findings from our field work to date in two states and relate these to the framework. In the third section we discuss our ideas and preliminary findings regarding empirically-grounded concepts of state policy postures, and regarding relationships between state

characteristics and specific policies toward the independent sector (e.g., levels of state aid to the independent sector and its students).

Next, we sketch the design of our planned statistical analyses of the impacts of state policies on various indicators of the health of the private sector and its constituent institutions. Finally, we discuss very briefly the existing literature and our plans for further work on the impacts of states' planning/program review and information policies on the independent sector. Some concluding remarks complete the paper.

Overview of the Conceptual Framework

State policies toward independent institutions range from the seemingly simple to the very complex. The "pattern" of state policies and actions across the nation looks more like a patchwork quilt than the product of directed or coordinated policymaking. Among the forty-nine states that have independent institutions (there are no private colleges in Wyoming) there are, at one level, forty-nine seemingly different approaches to the independent sector of postsecondary education.

An important goal of our research is to make some conceptual sense of the apparent "non-pattern" of state policies towards independent institutions. We believe this to be essential if work in this field is ever to progress beyond ad hoc conclusions based on single state studies and simple descriptive taxonomies of limited value for understanding or prediction. The utility of a conceptual model is more than academic. Even a preliminary effort in this direction should be of value to both state and institutional decisionmakers and analysts by providing a set of logically connected policy ideas and a

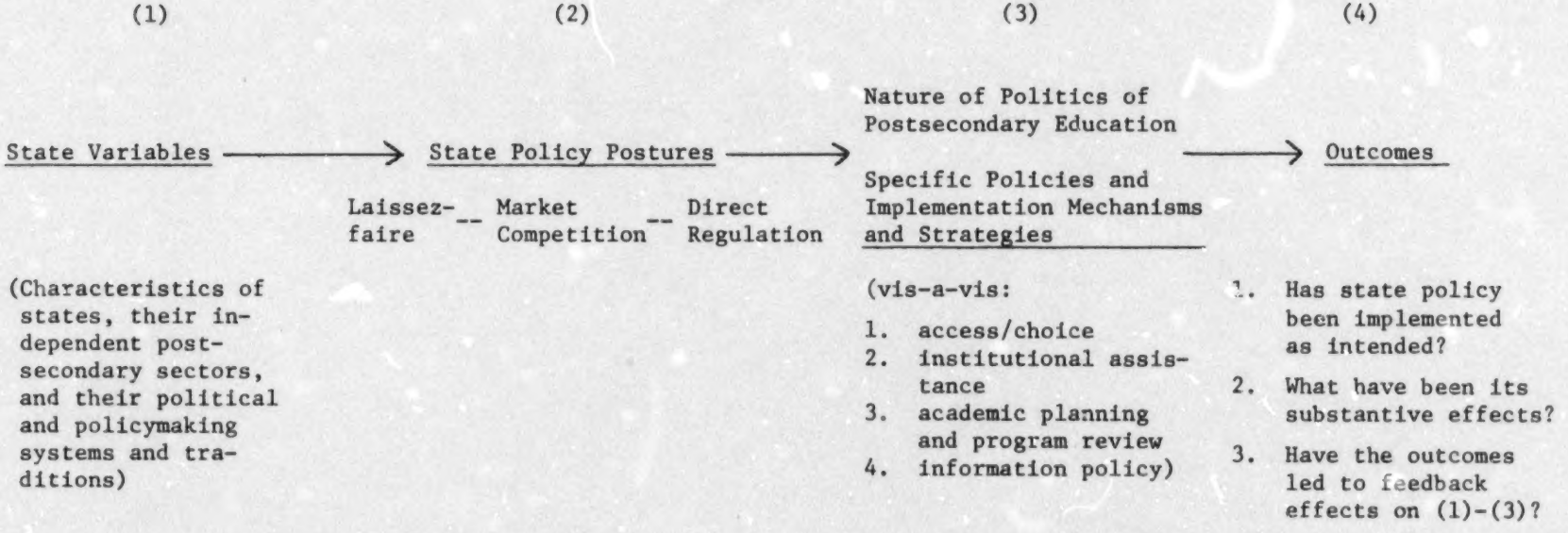
framework for foreseeing the consequences of particular types of state policies (or inactions).

Our conceptual framework is presented in Figure 1 on the following page. This model draws from the substantial literature on states and their governments and on government regulation of private enterprises. There are several underlying postulates. First, we hold that higher education should be viewed in the larger context of a state's posture and practice in other human service policy areas (e.g., health care, elementary/secondary education, social services). Second, a range of state characteristics ("state variables") such as state wealth, the relative size of the private higher education sector in the state, state government modernization, and various other socioeconomic and political variables help determine the nature of state policy postures toward postsecondary education. These in turn are associated with particular types of policies, and particular implementation mechanisms and strategies. Finally, policy outcomes or results are related to both a state's policy posture and the implementation mechanisms it employs.

Drawing on the literature about regulation in general and state interactions with the postsecondary education sector in particular, we believe that state policy postures toward postsecondary education can be usefully categorized into the three distinct types mentioned above: laissez-faire, market competitive, and regulatory. These categories should be regarded as ideal-types rather than as precise empirical descriptions of any state or states today. We do think these categories are useful in providing benchmarks for empirically-based characterizations. The three basic types of state policy postures are described below.

Figure 1

A Conceptual Model of State Policies and Independent Postsecondary Education


(1)
(2)
(3)
(4)
State Variables
State Policy Postures
Laissez-faire
Market Competition
Direct Regulation
Nature of Politics of Postsecondary Education
Specific Policies and Implementation Mechanisms and Strategies
Outcomes
(Characteristics of states, their independent postsecondary sectors, and their political and policymaking systems and traditions)
(vis-a-vis:
1. access/choice
2. institutional assistance
3. academic planning and program review
4. information policy)
1. Has state policy been implemented as intended?
2. What have been its substantive effects?
3. Have the outcomes led to feedback effects on (1)-(3)?

[a] The state policy postures are depicted as lying on a continuum representing the degree of government involvement in the allocation of institutions' goals (missions) and resources (students, programs and associated funds). We do not, however, claim that a state's policies will necessarily evolve inexorably from left to right on the continuum. This is a question for research.

The Laissez-faire Posture

For many years, a number of states had few if any policies that directly affected postsecondary education, beyond tax subsidies that benefited all nonprofit institutions and budget arrangements that essentially "left the money on the stump" for the public institutions to pick up (See Zumeta, Green and Melloff 1985, Chapter One). As such, these states had a "hands off" or laissez-faire posture toward postsecondary education.

This laissez-faire posture was perhaps the most prevalent state approach to postsecondary education until the 1960s. However, given pressures on state governments over the past two decades to develop statewide mechanisms for planning and coordination (some might say regulation or control) of postsecondary education, the pragmatic meaning of a laissez-faire posture has changed somewhat. While probably no state approaches the pure laissez-faire pole today, a modified laissez-faire posture with a limited, even perfunctory, state role is possible. The activities of the institutions or "segments" of the system (flagship university, state college/university system, community colleges, independent colleges, and proprietary schools) in such a state would not be planned or coordinated by the state in any very serious or consistent way (though some kinds of structures that are <u>supposed to</u> plan and coordinate nearly always exist these days), much less regulated or controlled. The distribution of annual subsidies would not be determined by a carefully thought-out state plan, though a document with such a title might well exist. Rather, patterns of state financial support for institutions would be largely the product of the politics of budgetary incrementalism (Davis, Dempster and Wildavsky 1966; Wildavsky 1984).

In the contemporary context the laissez-faire posture is probably most plausible as a strategy for, or perhaps more precisely a pattern of, dealing with the independent sector (including both nonprofit and proprietary institutions). Given the substantial dollars involved in state subsidies in even the smallest states, a laissez-faire approach is no longer plausible for dealing with public institutions. As for independent institutions, a laissez-faire state policy approach would essentially ignore them in such areas as direct state support, student aid, the setting of public institutions' tuition and fee structures, state-level information collection and dissemination, and academic planning and program review. Under some circumstances, a laissez-faire policy toward postsecondary education -- and in particular toward independent institutions -- in a specific issue area might be combined with one of the other policy approaches described below.

The Market Competitive Approach

Some states seek to avoid detailed planning for postsecondary institutions, yet prefer <u>not</u> to let the chips fall where they may as in the laissez-faire model. Instead, as in the regulatory model described below, the state authorities take a comprehensive view of the postsecondary education resources in the state, including the independent institutions, but unlike in the regulatory approach, attempt to <u>promote</u> evenhanded competition within and across sectors.

This "market competitive" approach involves a more active posture than the laissez-faire model. However, states seeking to implement this approach would attempt to facilitate the workings of the competitive marketplace rather than to replace it or control it extensively as in the regulatory posture.

Hence, under the market competitive model, state interventions would be limited to the tasks associated with addressing the various "market imperfections" (e.g., differential tuition subsidies, the presence of near-monopolies in some markets, inadequate consumer information) that characterize the postsecondary education marketplace (Breneman 1981). Consequently, the market model involves a more active state posture than laissez-faire. But beyond specific and carefully targeted interventions to "perfect" the market, state policy under this model in its pure form would allow both public and private institutions (a) to plan and modify their own offerings without state control, and (b) to compete directly for students and the resources tied to them with minimal direct state involvement.

Direct Regulation

A state operating in the direct regulation mode would be unwilling to leave decisions about the allocation of students and resources, along with the closely related issues of institutional health and survival, to the market, even a market influenced by government efforts to ameliorate its imperfections. Instead, the state would seek to limit what it saw as the deleterious effects of unregulated competition (e.g., costly duplication of programs, competitive pressures to degrade quality) within and across sectors and to take upon itself decisionmaking on matters it judged the institutions would not handle in the broad public interest. The primary mechanisms the regulatory state would use to accomplish these purposes are "master planning" (or some variant thereof), the annual budget and related controls (see Thompson, Jones and Zumeta 1985), program review, and information policy.

Of course we are aware that real states will rarely fit neatly into one of our three conceptual boxes across all issue areas. But it is reasonable to expect that policies that display some consistency across issue areas will be more likely than random combinations to occur if our notion is correct that policies in the same broad field have some common determinants, and if policymakers actively seek policies that complement one another. Still, we will doubtless find that most "live" states must be characterized empirically at various points between the three nodes on our theoretical continuum. Also, we may find states that cannot be characterized meaningfully in terms of our categories at all. One possibility is that some states will show little consistent rationale (either explicit or de facto) for their particular set of policies toward the independent sector, perhaps because different sets of forces prevalent at different times shaped policies in the several issue areas. Even so it will be interesting to see if recent fiscal and competitive pressures have led to efforts to "rationalize" policies across issue areas in any such "ad hoc" policy states.

Another interesting question is to what extent the recent history of particular states gives evidence of movement over time from the area of one node toward another, in particular, from laissez-faire to one of the others, or from direct regulation to market competitive (or vice versa). Of course, we are also looking for evidence as to what may be causing any patterns of movement discovered. Findings on these points should be of considerable interest to institution-level officials seeking to discern the direction of state policy, as well as to state policymakers seeking to learn systematically from the experience of their peers.

The Proprietary Sector

We suggested earlier that there may be links across broad policy areas (such as higher education, elementary/secondary education, health, social services, etc.) in the policy approaches adopted by individual states. One might then expect to see similarities across such seemingly-similar policy areas as state postures toward the independent collegiate and independent proprietary sectors. We are researching this question through our field work and study of documents from individual states. Fortunately, we also have access to a national survey of proprietary schools and their statewide organizations sponsored by the Association of Independent Colleges and Schools, the American Council on Cosmetology Education, and the National Association of Trade and Technical Schools. Preliminary analysis of this data, as well as our own review of other sources of information available to us, suggest that there may not be a close correspondence in policy approaches to the collegiate and proprietary sectors within states. Typically, the proprietaries are not eligible for state direct institutional aid programs (where these exist) available to independent colleges; in some cases their students are not eligible for state student aid funds as are private college students; and, on the whole, the proprietary schools appear to be more heavily regulated than the independent colleges. In many of the states, dealings with proprietary schools are conducted by different state agencies (e.g., department of education, consumer protection agency, department of justice) from those responsible for the state's dealings with the nonprofit collegiate sector. Thus, except where otherwise noted, what we say below applies only to the collegiate sector.

II. Impressions from the Field

To date we have conducted several days of field work in each of three states, in addition to shorter visits to and telephone interviews with individuals from several other states. We have also collected a large volume of documents and statistical data from many states. This three-tiered approach is designed to permit us to incorporate most or all of the states in our analyses of statistical data on the determinants and impacts of policy in such well-documented areas as student aid and institutional assistance policies. By careful choice of a few states for intensive field work and a larger set for more limited, but still substantial analysis in the issue areas less susceptible to study by means of centrally available data, we are seeking to use our limited resources so as to maximize the generality of our findings. In this section we discuss our preliminary impressions from field interviews with state and institutional officials in two of the states selected for intensive, field-based study. These are California and Indiana. (The third state, New York, will be considered in the context of our discussion of the determinants of state policy outputs.)

Basis for Choosing the Three States

We chose Indiana for detailed study because, unlike the other states we planned to visit, it is a state of modest size and wealth (34t among the states in per capita income), and most importantly, because its policy orientation toward higher education appeared (and still appears) to be closest to our market competitive ideal-type state policy posture. We selected California in part because of its large size, widely-heralded professionalized legislature, and record of leadership in higher education policy, but also

because its policy orientation with respect to the independent sector seemed to be an interesting mix of laissez-faire and market competitive policies. New York was chosen also in part for its size and national visibility, but primarily because, in many respects, it represents the furthest any state has gone in the direction of the central planning and control envisaged in our direct regulation ideal-type posture.

California and Indiana

We consider these two states together here partly for reasons of economy of space, but also because their policies provide useful points of similarity and contrast. In addition, the private collegiate sectors in both these states, though significant in size and political influence, are modest on both counts in relation to the state's public higher education sector.[1] We will now seek to summarize some of the major impressions and tentative conclusions from our field work in these two states in each of our four key issue areas.

Access/Choice Policies

Efforts to reduce net price differences between public and private institutions (i.e., the "tuition gap," net of financial aid) are a key element in a market competitive state policy regime. In contrast, in a laissez-faire regime the state ignores this net price gap, allowing the independent institutions to fend for themselves without state subsidies. State policymakers can affect the net price gap directly in essentially two ways -- through their influence over fee structures in the public institutions and through state student aid programs. (They can also try to do so more indirectly through institutional assistance programs, which are discussed below.)

In both California and Indiana we found that state officials exert their substantial influence over public sector fee structures with little or no regard for the effects these may have on the private sector's ability to recruit students. In this respect both would appear to be laissez-faire states. On the other hand, in both states student aid commissions have existed for a number of years, and in both a substantial share of their funds (about 50% in Indiana, nearly 60% in California) go to independent college students. Interviewees in both states told us that these student aid programs were seen first and foremost as a nonintrusive way for the state to aid the private higher education sector by reducing the net price gap. Secondarily, since public institutions' students are also eligible, they are seen as mechanisms for inserting some desirable consumer choice features into the higher education marketplace. These programs are important to many of the independent colleges in both states in competing with public institutions for students, and they clearly represent a substantial step in the direction of a market competitive policy posture.

Yet, in recent years state appropriations for the student aid commissions in both California and Indiana have lagged far behind costs of attendance. This has occurred at a time when federal student aid spending has also been relatively stagnant, thus increasing the public schools' net price advantage. Significantly, state student aid funding has also lagged considerably behind state appropriations to the public institutions.

In California there has been clear evidence of a decline in the independent sector's share of "Cal Grant" awardees and the state dollars they represent (California Governor's Budget for 1984-85: E210) as family income eligibility ceilings and maximum award levels have not kept up with the growth

in private college costs. This issue is thus the number one policy priority of the Association of Independent California Colleges and Universities.

In Indiana, an informal understanding between the sectors assures that the independents' students get about half the State Student Assistance Commission's (SSACI) aid dollars, but since these have barely increased at all in real terms since 1977-78, the independent colleges, especially the poorly-endowed ones, are very worried about their failure to keep up with costs. Overall, the private sector's enrollment is stable, but a number of these schools admit to being at the bottom of their applicant pool. A joint Independent Colleges and Universities of Indiana and Indiana Commission on Higher Education study has documented a sharp increase in the proportion of institutional revenues allocated to student aid over the last decade (Independent Colleges and Universities of Indiana 1984), and most independent institutions said they were being forced by competitive pressures into large-scale (but unpublicized) tuition discounting. There is also evidence of an upward shift in the (inflation-adjusted) family income profile of the students who do enroll in private colleges and a decline in their minority enrollments. Presidents uniformly complained that the demands for student aid were robbing their operating budgets and proceeds from fund-raising campaigns of funds required to hire and adequately compensate faculty and staff, purchase instructional equipment and library materials, and maintain their physical plant. If these claims can be documented convincingly, there would seem to be real implications for the quality of education these schools offer and thus for genuine student choice. Not surprisingly, securing increased funding for SSACI (while also strengthening it administratively and

politically) is the top legislative priority of the Independent Colleges and Universities of Indiana.

Interestingly, in both California and Indiana the next state budget (for the fiscal period commencing July 1, 1985) is expected to bring considerable relief to the independent institutions on the student aid front. (This process actually began in the current fiscal year in California.) Appropriations increases for both states' student aid commissions are expected to be much greater than the rate of inflation, and substantially larger than gains made by the public institutions. Of course, the favorable revenue picture in both states is the major reason that increases are possible. The larger increases for student aid than for public insitutions are in part a function of the realization that the private institutions' favorite program has been "starved" for several years. (This is consistent with the basic equity norms that pervade budgetary politics [See Wildavsky 1984].) But in both states, though more strongly in Indiana, knowledgeable state officials mentioned that this pattern accords with the long-term interest of some of those with influence over policy in seeing more of the state's spending on higher education tied to students and their choices with less appropriated directly to institutions. If it were maintained over a period of years, such a pattern would clearly represent an important move toward a market competitive policy posture. There are, however, indications that such a pattern of consistent differential increases will be difficult to sustain politically in either state.

Institutional Aid

In a laissez-faire state we would expect to see no such institutional aid to nonpublic schools. In a true market competitive state we would expect a policy preference for aid through students rather than for providing it directly to institutions. To the extent the state did aid independent institutions, we would expect it to come in as indirect and competitively-oriented a manner as possible. For example, the state might legislate that private institutions or groups of them could utilize state bonding authority, that private institutions be eligible to compete for state contracts and grants, and/or that special tax incentives be provided for donations to both public and private colleges.

Neither California nor Indiana has a program of direct state fiscal assistance to private colleges and universities (as some twenty states now do), and there seems to be no prospect of one emerging soon in either state. Close scrutiny does, however, turn up various contract and grant programs in which private colleges and universities compete for state funds, and some arrangements between public and private institutions (e.g., between Purdue University and Anderson College in Purdue's Statewide Technology Program) that put state dollars landing into the coffers of private institutions. The amounts of state money involved are modest, however. While we have not as yet explored this issue as fully in California, it is our impression that, in general, the independent sector is much less likely to be overlooked in Indiana, where it is, in relative terms, larger, and where there is a tradition that it be involved in some measure in most new state initiatives touching on higher education.

Indiana also goes further than California in regard to tax incentives for donations to educational institutions, an area of most concern to the independent schools. Indiana provides credits against state income taxes, up to specified limits, for individual and corporate donations to educational institutions, whereas California, like most other states, provides only deductions from taxable income. Both states, though Indiana earlier, have established capital financing authorities under state law that permit private institutions to take advantage of the state's tax-exempt bonding powers.

Overall, in the area of institutional aid, while both states have laissez-faire roots, each has taken some steps in the market competitive direction. Indiana has gone further along this path than California, to date.

Academic Planning/Program Review

In this field our conceptual model implies that a laissez-faire state would have only perfunctory involvement in higher education planning or program review, and its attention would be limited to the public sector. A true market competitive state would also leave both public and private sectors largely to their own devices in mounting and terminating programs, but only in the context of state policies in other areas (student aid, institutional assistance, information policies) designed to more nearly equalize public-private competition. In contrast, a regulatory state would monitor program configurations in both sectors closely, seeking to weed out duplication and thus competition as well.

As already indicated, in both California and Indiana net prices (tuition and fees less financial aid) charged to students in the two sectors have generally become less equal in recent years, partly as a result of state

funding policies. At the same time competition for students has intensified (particularly in Indiana where the demographics are less favorable). Thus, it is not surprising that disagreements over new courses and programs, which of course have enrollment implications, have increased in both states. We have been a little surprised, in fact, that the level of conflict remains low (California) to moderate (Indiana). Most of the conflicts occur when public institutions (such as Purdue or Indiana University regional campuses, or California State University campuses) seek to offer new courses or programs at their relatively low tuition rates in geographic areas that existing private colleges regard as their "back yard".

In both states, but probably more so in Indiana, the higher education commission generally seeks to keep out of institutions' academic decisions and has some sympathy for the values of competition and student choice among programs. There is also the powerful argument that students ought to have access to low-priced (i.e., public) alternatives as well as high-priced (i.e., private) ones. Thus, the commissions in these two states do not appear to be eager to intervene in these disputes. They much prefer to see them settled between the parties.

Yet it appears, especially in Indiana, that if the affected independent institutions are concerned enough and are willing and able to press their case, they are able to get a serious hearing from the commission (or more commonly its academic affairs staff). The commission (or staff) deliberations on these issues seem to be only very generally constrained by the standard program review criteria concerning need, demand, relative costs and the like. Rather, the fundamental dynamics seem to be political, with the commission seeking a settlement that avoids unseemly public conflict and possible

legislative intervention with its unpredictable outcomes. The more politically influential one or both the parties, the more concerned the commission is likely to be, and the more closely it tends to listen to that party. We found clear evidence that the commissions see keeping such disputes "within the [higher education] family" as an important part of their role, and the key to their own political viability (see also Zumeta, Green and Melloff 1985, Chapter Four).

Thus, in this area, as in issues that touch on the sectors' relative prices, a market competitive policy orientation has proven politically difficult to implement and sustain. Moreover, such difficulties in the "tuition gap" area tend to exacerbate those in planning and program review since private institutions feel more threatened when their competitors' price advantage is large.

Information Policy

A laissez-faire state would have little use for extensive information about independent institutions. On the other hand, a regulatory state would have an appetite for the large amounts of data on all sectors usually thought necessary for centralized planning, policy development, and monitoring. The scope of the market competitive state's data needs for policymaking purposes would fall somewhere between these two poles. They would be focused on the information necessary to develop and evaluate incentive-based policies designed to promote evenhanded competition while limiting direct state intervention. In addition, a true market competitive state's information policy would feature a special focus on providing, and encouraging the provision of, consumer-oriented information on such matters as institutions'

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comparative costs of attendance (including financial aid), student body characteristics, persistence rates, outcomes for graduates, and the like (see, for example, El-Khawas 1978; Stark 1978; Gill, Chapman and Miller 1980). Such an approach is a part of the market competitive regime's efforts to address "market failures" in the higher education marketplace (Breneman and Finn 1978, pp. 417-18)--in this case with respect to adequate information for consumer decisionmaking.

Overall generalizations about the scope of data collection by state higher education authorities is difficult, but both California and Indiana appear to fall at the low end among the states in terms of amount of policy-oriented information collected about the independent sector, especially on an ongoing basis. In regard to consumer information, as in most other areas, Indiana has gone considerably further than California (and quite probably further than any other state) in the market competitive direction outlined above. California's efforts are limited to responses to individual inquiries and publication of an annual directory of colleges and vocational schools in the state listing their location, enrollment, and degree programs offfered. The responsible officials at the California Postsecondary Education Commission say there are no plans to go beyond possibly adding fee and campus housing data to this list.

Indiana's Commission on Higher Education, by contrast, has nurtured and now spun off an autonomous Training and Educational Data Services Corporation that sells a fairly sophisticated on-line data service on education, training, and job opportunities available to Indiana residents to such centers as libraries, counseling offices and the like. It includes data on costs, financial aid, size of campus, residential facilities available, specific

programs available, typical program length, links between programs and jobs, and some projections of future job opportunities. It is designed to frame responses to individual inquiries. (For instance, the system could provide a prospective student with a list of schools in a specified geographic area with residential campuses, majors in a given list of fields, with costs less than $X, and so on.) While there remain problems with the system and its coverage, progress is apparently being made to overcome them. In any case the system represents a substantial initiative precisely along the lines envisioned in our market competitive model.

III. State Characteristics and Policy Outputs

As we said above, a major premise underlying our work on this project is the belief that state policies affecting private institutions cannot be understood exclusively in terms of traditional higher education concerns alone. Dramatic changes in state governments have taken place since the mid-sixties, a period which roughly corresponds to that of the growth of state (and federal) higher education spending. For example, many states have modernized by strengthening the executive powers of their governors, and by creating professional and well staffed legislatures. In the last twenty years the states have actually surpassed the federal government as the center of governmental activity and growth. More importantly, they remain the primary arena for higher education policy making. Does this increased capability of state governments to provide and regulate social services affect state postures towards the "independent" sector? Does the level of resources, development, and governing capacity in a state affect the way particular policies impact on independent institutions and their students? The next two

sections of this paper describe aspects of our research which are related to these questions.

Determinants of State Policy Outputs in Higher Education

A major--and lively--issue in the study of public policy has been the question of the relative importance socioeconomic factors, such as a state's resource base, and political factors, such as interest group activity, have for determining policy outcomes. This question has by no means been resolved, as a brief review of the literature on determinants of state policy will suggest. However, findings in this larger literature are suggestive of both answers and problems in the study of higher education policy-making. First, the conclusions a researcher reaches are very likely to be the result of his/her prior assumptions about underlying causal relationships and the methods s/he uses to test them. For example:

> "To assess accurately the relative importance of these independent variables [political and socioeconomic], it is first necessary to specify correctly the underlying causal structure and estimate its parameters... When the effects coefficients for a common model of welfare policy are estimated in a data-based example, socioeconomic variables are found to be considerably more important than political variables. This conclusion differs substantially from interpretations founded on an application of the other statistical techniques reviewed here." (Lewis-Beck, 1977)

These kinds of conclusions are grounds for considerable caution since we do not have well-specified causal models for policy in general, or for higher education policy in particular.

Second, relationships which have been established empirically are likely to be complicated. It appears, for example, that political factors are important in determining social policy outputs, but only in relatively modern states, i.e. those which are wealthy and have strong executives (Stonecash and Hayes, 1981).

Last, there are state level variables overlooked by both political scientists and specialists in higher education which may account for certain outcomes better than either political or socioeconomic factors. For example, population characteristics, such as the size, density and ethnic composition of a state's population, were shown to have stronger correlations with several measures of state support for higher education in the 1960s than either political or economic variables. One population characteristic which did not correlate with any of the higher education policy outputs studied was the percentage of state population in the 18-25 year-old age group (Lindeen and Willis, 1976).

Our research into determinants of state policy affecting private postsecondary institutions is an effort to apply these more general policy research findings about state level characteristics and their effects on policy outcomes to the particular question of policies affecting independent institutions. At the state level, variables being used are similar to many of those in the studies cited above. Measures of policy outputs include such variables as the size and type of institutional and student aid programs, their distribution by sector, the size of the private sector, relative rates of growth of the public and private sectors, and the tuition gap.

Our experience in the case study states has influenced the search for causal factors and helped us identify patterns of behavior to explore further with statistical methods where this is possible. For example, a major issue in New York state higher education planning is that of adapting to changing demands for programs while maintaining institutional health--all in the face of heavy projected enrollment declines. Competition for enrollments and sharp conflict between the public and private sectors in New York go hand in hand. In several instances competing public and private proposals for new or expanded professional degree programs have come before the New York state Board of Regents. In every case that we know of the legislature or governor intervened on one side or the other to insure that both public and private proposals went forward. This has happened even in cases where all available evidence argued against the success of competing duplicated programs. While it seems clear that there will be institutional closures as a result of changes in demand, dropping enrollment and competition, the question is, as one planning official put it, whether there will be public institutional closures. The New York case suggests that for state legislators new public postsecondary institutions may be the state level equivalent of federal defense contracts. They are used to purchase local support and cannot easily be withdrawn. It also suggests that the size and role of the private sector may have little to do with differences in the relative rates of growth of the two sectors in a state. Differences in the mix of institutions among the states may turn out to be artifacts of historical development which are disappearing as state involvement increases. This is an hypothesis that we are trying to test for the population of states using quantitative methods.

Research does exist which tests sector- rather than state-level explanations for variations in state aid to the independent sector. For example, Nelson (1978) tested four motives for state support for the private sector including provision of tuition relief, high priority for all higher education in the state, support for a large and important private sector, and, last, considerations of "costs" of public vs. private systems. She found that the factors most related to state aid to the independent sector were: "(1) an explicit desire to help a private sector where it is an important force in the life of the state, (2) a high budget priority afforded higher education in general, and (3) a lack of commitment to low tuition at public institutions." She also found that the level of state support to public institutions is not related to the amount of state aid going to private institutions.

A related topic in the area of explaining state spending patterns has to do with the hypothesis of competition between public and private institutions for public funds. Here again our case data helps illuminate the complex processes which underlie quantitative findings. In her study Nelson found little evidence in most states for the widely held belief that a funding tradeoff exists between programs benefitting public and programs benefitting private institutions. There was, however, evidence of such a tradeoff in New York as well as evidence that sectors seem to prosper together in California, South Carolina, and Ohio. She speculated that special aid programs for independent institutions, such as New York's Bundy and Tuition Assistance programs, force tradeoff considerations and conflict in the budget process. In California, by contrast, the independent sector is funded through the same student aid programs which support public sector students. Thus there is the

feeling that, to quote a frequently heard California higher education proverb, "a rising tide carries us all."

But actors in the states - even the same actors who espouse the common wisdom - do not always view their policy process in these terms. In California inter-sector competiton does occur, but it is part of a larger set of tradeoffs found among the large public systems, the University, State University and Community Colleges: the University and the independents have often joined quietly to support student aid formulas which primarily benefit students attending the University of California and students enrolling in private colleges whose family income profiles are quite similar.

In New York independent colleges and universities are part of a larger legal entity, the "University of the State of New York," which includes all collegiate institutions in the state. However, state programs for independent institutions are not institutionalized in the budget process, because the independents, unlike SUNY and CUNY, are not state agencies. Tuition Assistance and Bundy programs are viewed as "state aid to non-state agencies." Therefore they have lower priority for funding than public sector programs. For example, annual guidelines developed between the governor's office and the Division of the Budget for increases have never included private sector programs like TAP and Bundy. Increases for these programs must be added on by the state legislature relatively late in the budget process. This means that tradeoffs, if they occur, are not the result of routine calculations or an explicit evalution of competing claims. We should note, however, that recently there has been increasing interest among the sectors themselves in presenting a united front to state financial policy makers.

The strongest preliminary result to emerge from our quantitative work on factors influencing state policy outputs is evidence that region, a dummy variable for different geographical parts of the country, best "explains" variations in public and private sector higher education spending among the states. This appears to be true even after controlling for the relative size of the private sector. We find this both intriguing and frustrating. Intruiguing because region probably represents an interaction of important socioeconomic and historical factors which influence educational policy making; frustrating because these factors and their interactions do not readily lend themselves to further specification. So far we are able to predict characteristics of a state's higher education sector on the basis of its location, but quite unable to say why these predictions should be accurate.

Empirical Analysis of Policy Postures

In the first sections of this paper we talked about the normative and analytical concepts of posture we have developed for the project. In this section we describe our efforts to discover empirically derived state postures towards independent higher education.

A basic assumption behind our conception of state "policy postures" is environmental: if state level characteristics have effects on policy outputs in particular policy sectors and subsectors, such as public and independent higher education, then we can expect to find a pattern of such effects which obtains for all the issue areas sharing that environment, in the absence of strong intervening variables. If, for example, demographic and political

characteristics of a state give it a regulatory or interventionist orientation we would expect to see relatively high levels of state involvement and regulation in higher education, including in the independent sector. We would expect to find similarities in the level of state involvement across higher education issue areas. For example, we might find that large aid programs are usually associated with planning and regulatory activity involving the private sector.

There is some evidence that such relations exist. In the field work we have found that high levels of policy activity in one area are connected with high levels in others. For example, in New York information collected from Bundy aid recipients is used by the same agency as part of its program for monitoring institutional health. The state uses its accrediting power and program review responsibility to justify such oversight. In California, where student financial aid programs were originally justified as a source of public funds for independent institutions, legislators concerned with access in the public sector are attempting to change parameters of the aid programs in ways which would direct money away from independent institutions to students in the lowest cost public institutions. These determinations will be influenced in large part by relatively new information collected on student aid recipients by the California Postsecondary Education Commission.

With the help of cluster and factor analysis techniques we are looking for patterns of covariation among state policies. Do certain kinds of state policies in fact move together? For example, does institutional aid invite program review? If we can identify empirical patterns--postures--which describe the ways states organize their higher education sectors and provide postsecondary services, we may be able to relate posture to certain kinds of

outcomes in the states while controlling for state environmental characteristics. This prospect is quite exciting. While certain state level characteristics, such as wealth, governing capacity, and demographics, cannot be easily manipulated by policy-makers, policies may be. We would like to suggest answers to the question, "Given certain kind of state environments, rich or poor, high or low governing capacity, etc., does a particular policy posture make more sense than another?" For example, are high levels of state involvement "best" in wealthy, diverse states? Conversely, are low levels of aid wise in poorer states? If we could answer such questions we would truly have a basis for choice in our policy making.

IV. Empirical Analysis of Policy Effects on Students and Institutions

Next, we would like to describe, briefly, the statistical analysis of more micro relationships between state aid programs and indicators of access, choice, and private sector health which is being undertaken by Alexander Astin as part of the larger project.

In the sections above, state aid programs have been the policy "outputs" of interest, the dependent variables. In this area of the research, however, we are interested in the effects state programs and policies themselves have on enrollments and private institutions. The intent is to compare changes in enrollment patterns and indicators of private sector fiscal health across time periods and across states representing different levels of policy commitment to the private sector and its students. One of the hypotheses for testing in this part of the research is the expectation that private institutions which are most dependent on state aid and in-state students will be more affected by state policies and practices than more selective and affluent institutions.

Thus separate analyses are being carried out for different types of independent institutions. The primary data sources for this part of the project are HEGIS and the UCLA/ACE Cooperative Institutional Research Program.

Dependent Variables in this analysis include at minimum such indicators of fiscal health as tuition and fees, per student expenditures for educational and general purposes, per-student endowment, total (FTE) enrollment, total first-time full-time enrollment (FTE), and private sector share of statewide enrollment, all from HEGIS; and measures of student characteristics such as percentages among entering freshmen of minority, low income, and high-achieving students obtained from CIRP. Other possibilities include measures of the statewide participation rate, proportion of independent institutions' own funds going to student aid, and proportion of private sector students receiving state aid.

Independent Variables include the following measures from HEGIS: pre-tests on the dependent variables (above), "tuition gap", and the relative size of the public sector. Independent variables based on the CIRP data will include pre-tests on the dependent variables. Other independent variables include measures of state policy outputs, in particular, types and levels of state aid programs, which are being used as dependent variables in the analysis of determinants of state policy described above. We are generating these measures especially for this project. Also, where appropriate, we will employ as controls measures of state characteristics that might be related to the other variables used in the models.

V. Studies of State Planning/Program Review and Information Policies

In addition to the analyses of the impacts of state financial assistance sketched above, we are also studying the nature, determinants and effects of state policies in the planning/program review and information policy areas. We will comment here briefly on our approach to these two issue areas.

Planning/Program Review

We hope to collect data for analyses of the correlates of the degree and type of private sector involvement in state planning and program review processes along the lines suggested in work by Wilson and Miller (1980). (The data for this study were collected in 1976 and, at minimum, need to be updated.) Also, from field interviews and document review in our case study states we should be able to offer assessments of the actual effects of various state approaches to planning and program review on the major state policy objectives in this area (access, quality, responsiveness to state needs, diversity and competition vs. nonduplication, conflict control, institutional autonomy).

Information Policy

The extremely limited literature that touches on state information policies and the independent sector (Chronister 1978; Odell and Thelin 1981) suggests that, in many states, relatively little is done by the state vis-a-vis this sector along the lines of either policy- and planning-oriented data collection or the dissemination of consumer-oriented information. Private sector representatives seem to have varied reactions as to the desirability of this state of affairs (Odell and Thelin 1981). On the one

hand, they are not anxious to bear the burdens of large-scale data collection and have some concerns about allowing public officials to probe the internal workings of their institutions more deeply, since this might ultimately lead to state efforts to circumscribe their freedom of action. But, many of them also seem to be aware that certain kinds of information and analysis can be valuable, even necessary, to the independent sector in the competition for state funds (Odell and Thelin 1981: 63-64). Also, private sector organizations seem to be positively disposed toward the development of more consumer-oriented information (Odell and Thelin 1981: 66-69; National Association of Independent Colleges and Universities 1984).

In our research we seek to document trends in the scope and content of state data collection about private institutions as compared to publics, and to see if these can be understood in terms of states' policy postures as postulated in our conceptual framework. Thus, we are very much interested in how and how much the state authorities use the information they collect. For example, given the state of modern information technology, even a laissez-faire-oriented state might collect substantial routine information about its independent institutions, but we would hypothesize that rather little of significance for policy or consumer decisionmaking would be done with it. In a regulated state we would expect both extensive routine data collection about all sectors and heavy use of it in planning, program review, budgeting, and the monitoring of compliance with state policy. Also, the state authorities in such a state should be quite concerned with data comparability across institutions and sectors. In the market-competitively-oriented state, we would expect to see much less use of detailed data about institutions for such routine policy purposes, but more

interest in information useful for evaluating the educational merits and costs of individual institutions (for students and parents) and the effectiveness of competitively-oriented state policies (for state policymakers).

In terms of specific impacts, we are of course interested in trends in costs and in the burden of information collection and dissemination, particularly to the independent institutions. We are also interested in the extent of compliance with state information requests and with any political conflicts or autonomy concerns these may have raised. Also, we are concerned with the effects data comparability pressures may have had on academic decisions and institutional autonomy. A very basic question of interest is: to what extent do information and analysis actually affect state policymaking vis-a-vis the private sector and with what consequences for these institutions (state dollars flowing to them, relative competitive position, fiscal health, possible academic quality effects, etc.)? And, if the state has a substantial program of consumer-oriented information provision, is there evidence of positive impact?

These are among the key questions we seek to answer in regard to information policy. As with planning and program review policies, assessments of policy impact will be primarily qualitative, based on interviews and review of pertinent documents. For better or worse, there are simply no practically available objective indicators of policy impact in this area that can play more than a secondary role in the analysis.

VI. Conclusion

At the conclusion of the study, we expect to have improved considerably the knowledge base about the determinants and effects of state policies that touch in substantial ways on independent postsecondary educational institutions. In addition, we hope that our conceptual framework for understanding the origins and nature of state higher education policies more broadly will help to stimulate further theorizing and empirical research on policymaking in areas beyond the scope of the present project. If we make significant progress toward both these aims, we will feel that our efforts have been well rewarded.

Notes

[1]The 1981 to .. FTE enrollments in the private sector in California amounted to 153,839 students, or 14% of the total statewide enrollments, compared to Indiana's 48,805 students, or 26% of the total (Education Commission of the States--National Center for Higher Education Management Systems--State Higher Education Executive Officers Association 1982).

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